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Chairman: Mr. Darwish (Vice-Chairman) ..... (Egypt)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of Ms. Wensley (Australia), Mr. Darwish (Egypt), Vice-Chairman, took the Chair.

The meeting was called to order at 10.05 a.m.

Agenda item 117: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/54/5/Add.5, A/54/7, A/54/140 and Add.1, A/54/159 and Corr.1, A/54/165 and A/54/441; A/C.5/54/3)

1. **Mr. Prempeh** (Chairman of the United Nations Board of Auditors), introducing the report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/54/5/Add.5), the report of the Board on implementation of its recommendations (A/54/159 and Corr.1), and the comments of the Board on the report of the Secretary-General on the hiring and use of consultants in the Secretariat (A/54/165), recalled that, in its comments on the term of office of members of the United Nations Board of Auditors (A/49/368), the Board had recommended the extension of the term of office from three to six years, which would bring it into alignment with biennial accounting and give each member of the Board sufficient time to become familiar with the audited organizations and thus make an effective contribution. The matter had been pending since 1994, and it was therefore to be hoped that it would be given consideration by the General Assembly at the current session.

2. Over the past year, the Board's Audit Operations Committee had maintained a continuous dialogue with the Administrations of the audited organizations. It had also worked closely with the Office of Internal Oversight Services (OIOS) and the internal audit bodies of the various organizations to ensure adequate coordination of audit activities, and had exchanged information on issues of mutual interest with the Joint Inspection Unit (JIU). The Board would shortly be holding its third tripartite meeting with OIOS and JIU.

3. With regard to the report of the Board on the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR), he said that the Board had found that the financial statements and schedules of the voluntary funds generally conformed to the United Nations accounting standards, except for recognition of income for trust funds and disclosure of liabilities for end-of-service benefits. Of the $346.4 million advanced to the implementing partners during 1998 and recorded as expenditure, financial reports had not been received for $92.8 million as at 31 March 1999. In addition, audit certificates had not been submitted in respect of $97 million in funds advanced to government partners and $234.5 million in funds advanced to other implementing partners. The projects reviewed at headquarters and in the field did not contain work plans or milestones for project implementation. Of 2,565 projects implemented during the years 1994 to 1997, 2,123 had not been closed as at November 1998. As a consequence, large amounts of cash had remained with implementing partners for long periods, resulting in undue benefit to them. Although action in many of the key areas of Project Delphi had been scheduled for completion by October 1997, some components had been at the draft stage or had yet to commence as at April 1999.

4. The Board had recommended, *inter alia*, that the Administration should treat advances to implementing partners as accounts receivable at the time the advances were made and clear the advances to expenditure on receipt of satisfactory financial reports, and also persevere in its efforts to clear the outstanding balances of cash advances expeditiously, in particular those relating to earlier years. In addition, the Administration should assess the reasons for non-compliance by implementing partners with the requirement to render audit certificates and draw up a strategy for securing sufficient audit certificates to provide adequate evidence in support of expenditure reported by implementing partners. Work plans should be programme-specific and should be prepared as an integral part of the project-planning and monitoring process, and completed projects should be reviewed to ensure that they were promptly closed. The plans still to be implemented under Project Delphi should be updated and priority should be given to those activities that could be implemented with the available resources.

5. The report of the Board on implementation of its recommendations covered those organizations on which the Board reported on a biennial basis and had been prepared in accordance with the new reporting arrangements described in the introduction. In the report, the Board commented *inter alia* on the progress made by the various Administrations in specifying timetables for implementation of recommendations, disclosing office holders to be held accountable, and establishing effective mechanisms to strengthen oversight in regard to the implementation of audit recommendations. The Board noted that of the 156 recommendations made in respect of the 13 organizations covered in the report, 48 had been fully implemented, 100 had been partially implemented, 4 had not been implemented and, in the remaining 4 cases, the recommendations had not been implemented because they had been overtaken by events.

6. The Board had taken note of the request of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (A/54/441, para. 8) that, in its next report, it should further analyse the partially implemented recommendations to identify recommendations that were under implementation and recommendations that had been partially implemented but for which no further action was contemplated, and that it should provide information on the time taken to implement its recommendations.

7. In its comments on the report of the Secretary-General on the hiring and use of consultants in the Secretariat, the Board welcomed the issuance of comprehensive guidelines contained in document A/53/385, which substantially addressed the issues and concerns raised by it in its reports. During its ongoing audits of consultants, the Board intended to monitor the application of the guidelines by departments, as well as the implementation of its own recommendations, including those related to the introduction of Release 5 of the Integrated Management Information System (IMIS).

8. The Board had taken note of the recommendations of ACABQ concerning the budget of the Board and its secretariat for the biennium 2000-2001 (A/54/7, paras. I.12-I.14) and also of the Advisory Committee's comments regarding the implementation of a recommendation of the Board by the United Nations Children's Fund (UNICEF) (A/54/441, para. 9).

9. **Mr. Connor** (Under-Secretary-General for Management) introduced the report of the Secretary-General on implementation of the recommendations of the Board of Auditors (A/54/140 and Add.1) and the report of the Secretary-General on the year 2000 compliance issue (A/C.5/54/3).

10. In document A/54/140 and its addendum, the Secretary-General and the executive heads of organizations and programmes reported on the status of implementation of those recommendations of the Board of Auditors that had been reported as not fully implemented in the Secretary-General's reports of the previous year (A/53/335 and Add.1). The reports had been prepared in accordance with General Assembly resolution 52/212 B, in which the Assembly had accepted the Board's call for annual reporting, and due consideration had been given to the Board's proposal regarding the disclosure of office holders to be held accountable for the implementation of its recommendations (A/52/753, paras. 6 and 7).

11. The Secretary-General had been considering the most effective mechanism for strengthening oversight in regard to the implementation of audit recommendations. The establishment within the Department of Management of an Oversight Support Unit was a first step in that direction. The timely and comprehensive implementations of the Board's recommendations was a priority of the Administration, and progress made in that regard would be continuously reviewed by senior managers.

12. The responses of the executive heads of organizations and programmes concerning implementation of the Board's recommendations would be transmitted for consideration to their respective governing bodies. While responsibility for implementing the recommendations lay with the executive heads, the Secretariat stood ready to provide assistance on specific issues if and when necessary.

13. The Board's recommendations were the outcome of a continuous process of review, assessment and consultations between the auditors and managers at all levels and in all areas of the Organization's administration. The auditors' professionalism, together with the commitment of managers to the implementation of their recommendations, would make a major contribution to the further enhancement of the Organization's efficiency.

14. With regard to the report of the Secretary-General on the year 2000 compliance issue, he said that the Secretariat's strategy for dealing with Y2K was based on four key elements: establishment of a management structure to provide policy guidance, oversight and coordination; identification of mission-critical activities; risk assessment; and development of contingency plans on the basis of best to worst case scenarios with priority given to maintaining mission-critical activities in worst case scenarios. Since the issuance of the report, there had been further progress with respect to those elements. Thus, 50 out of 62 critical business applications had been corrected, and the remedial process for the remaining 12 applications would be completed by November 1999. Contingency plans had been completed and tested by the support departments and were currently being completed by the programme departments, a target date of 15 October 1999 having been set. Lead offices had been designated within the Secretariat to determine minimum requirements for each of the Organization's mission-critical activities in the event of utility and telecommunication failures. Task forces on telecommunications and responses to Y2K-induced problems that might arise in the field had also been established.

15. The Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ(FB)) had been looking into the timing of the payment of the December 1999 and January 2000 payroll. Following consultations among its members, it had recommended a common approach for each duty station. An information

circular (ST/IC/1999/80) on that subject had been issued in September to enable staff members to plan their banking transactions accordingly.

16. His Department was currently finalizing a report that would update the information contained in document A/C.5/54/3 and provide additional information regarding the specialized agencies and action taken in coordination with Member States. While he was confident that the United Nations would achieve year 2000 compliance on time with respect to its mission-critical business applications and that contingency plans would be in place to cope with potential failures, there remained many external factors that were outside the Organization's control. The contingency plans took account of those factors. Thus, even in the event of complete utility failure, a number of vital activities, such as meetings of the Security Council, would be maintained. However, massive disruption outside the United Nations would inevitably affect the Organization.

17. **Mr. Gjesdal** (Norway) said that his delegation agreed that an annual audit cycle contributed to the efforts to streamline the financial management of the Office of the United Nations High Commissioner for Refugees (UNHCR) and to improve transparency and efficiency. The report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/54/5/Add.5) confirmed that UNHCR remained a well-managed agency despite media allegations to the contrary.

18. His delegation appreciated the efforts of UNHCR to implement the recommendations made by the Board in its report of the previous year (A/53/5/Add.5). The Board's findings in its current report were largely related to the implementation of humanitarian assistance programmes through implementing partners, a practice that Norway strongly supported since it allowed UNHCR to respond more adequately to the daunting humanitarian challenges it faced. Timely receipt of audit certificates from implementing partners was especially problematic. He noted that UNHCR had established a database to monitor the performance of non-governmental implementing partners, including in that area, and that it was helping national non-governmental organizations to comply with the relevant requirements by providing training and assistance in identifying independent audit bodies. With regard to governmental implementing partners, UNHCR had proposed that it should be authorized to make payments for audits to enable government auditors to give priority to UNHCR-funded activities. The implications of that proposal should be carefully considered. In the meantime, his delegation could support the recommendation of ACABQ that UNHCR should formulate the criteria for and the conditions under which such assistance should be granted, including guidelines to ensure delivery of the services for which assistance would be rendered to concerned implementing governmental partners (A/54/441, para. 6).

19. While the receipt of audit certificates was of fundamental importance for ensuring that expenditure was incurred by the implementing partners in accordance with plans and agreements, his delegation noted the view of the Administration that it might be difficult for UNHCR to take further measures to improve compliance without seriously jeopardizing its mandated activities and recognized that there were other compensating controls, including periodic review of the records of implementing partners, on-the-spot monitoring and third-party reports, such as inspections and internal audits.

20. Given the grave financial situation of the United Nations, the mandate of the Board of Auditors had become more important that ever. However, the usefulness of any audit activity depended on follow up. The report of the Board on implementation of its recommendations (A/54/159) painted a fairly encouraging picture in that regard, with almost two thirds of the Board's 156 recommendations having been at least partially implemented.

21. His delegation appreciated the full responses provided in the reports of the Secretary-General on implementation of the recommendations of the Board of Auditors (A/54/140 and Add.1). Given its sizeable voluntary contributions for development activities, his Government was particularly interested in tracking the follow up of oversight recommendations by the operational funds and programmes. It was to be hoped that, in future reports, the editorial layout of the various organizations' responses could be fully harmonized in order to enhance readability.

22. **Mr. Chowdhury** (Bangladesh) said that timely reporting on the implementation of the recommendations of oversight bodies such as the Board of Auditors was important for the sound financial management of the Organization. In line with General Assembly resolution 52/212 B, the Secretariat had taken action to correct the deficiencies and meet the challenges pointed out by the Board, particularly in the areas of the year 2000 compliance issue and the Integrated Management Information System (IMIS). He hoped that the establishment of an Oversight Support Unit within the Department of Management would give the needed impetus to system-wide monitoring of the implementation of the Board's recommendations. Over two thirds of the Board's recommendations to the funds and programmes had not yet been fully implemented, even though some of them had been long overdue.

23. Considering that a year had passed since the issuance of the Secretary-General's comprehensive policy guidelines on the hiring and use of consultants (A/53/385), he asked for details on how effectively those guidelines had been followed and whether they could be further improved. He would also like precise information from the Procurement Division on how the Administration had acted on the Board's recommendation that it should ensure that prospective bidders had sufficient time to respond (A/54/140, para. 29). With respect to the recommendation concerning payment for common services on a cost-apportioned basis (A/54/140, para. 40), he requested that the task force set up to consider the issue should submit interim reports.

24. **Mr. Sial** (Pakistan) said that his delegation attached great importance to the oversight functions of the Board of Auditors as an important means of ensuring the frugal use of resources and compliance with rules, regulations and General Assembly decisions. He hoped that managers would give priority to the implementation of the Board's approved recommendations, and welcomed the establishment of an Oversight Support Unit in the Department of Management. He appreciated the timely submission of the Secretariat's reports on its implementation of the Board's earlier recommendations (A/54/140 and A/54/140/Add.1), and asked for more up-to-date information on the subject. The actions taken by the Secretariat in compliance with General Assembly resolution 52/212 B would improve the implementation of the Board's recommendations.

25. He appreciated the issuance of administrative instruction ST/AI/1999/7 containing revised guidelines for the use of consultants and individual contractors, pursuant to General Assembly resolution 53/221, section VIII, paragraph 11, and requested the Board of Auditors to verify whether that administrative instruction was in full compliance with the resolution. The issue should be kept under review to ensure that the use of consultants and individual contractors was fully in compliance with section VIII of the resolution.

26. The Board's audit opinion on the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) was encouraging; however, his delegation was concerned about the shortcomings identified and hoped that the Secretariat would take urgent measures to address the Board's recommendations. With respect to irregularities in the field of procurement, remedial action should be taken in the light of the Financial Regulations and Rules and the relevant General Assembly decisions. He asked whether the Board had submitted a concise summary of the findings, conclusions and recommendations contained in its report (A/54/5/Add.5), pursuant to General Assembly resolution 47/211, paragraph 18.

27. **Mr. Repasch** (United States of America) said that oversight bodies such as the Board of Auditors played a key role in helping Member States determine how effectively their contributions were being used. As one of the largest contributors to the activities of UNHCR, the United States was concerned about the many indications of non-compliance with the Board's recommendations and related problems with implementing partners. One recurrent problem was the failure to keep accurate records, which had resulted in a significant discrepancy between the funds advanced and the audit certificates received. Further action was needed to ensure better record-keeping and stricter control over the work of implementing partners. He noted that UNHCR had complied with the Board's recommendation that it should develop a strategy for securing sufficient audit certificates, and called upon implementing partners to make greater efforts to improve compliance.

28. With respect to paragraph 30 of the Board's report (A/54/5/Add.5), he asked whether any further action had been taken regarding the possible blacklisting of implementing partners that had failed to submit audit certificates by the end of 1998. He wondered why so little was said in paragraph 40 about the fact that losses reported and written off in 1998 had been three times the amount written off in 1997, even though the amount of donor contributions had decreased. He was greatly concerned to note that 83 per cent of the projects implemented between 1994 and 1997 had not yet been closed. Moreover, the projects reviewed at UNHCR headquarters and in the field had not contained work plans or milestones for monitoring the progress of project implementation. Those two issues seemed to be related, and he welcomed the introduction, within the new UNHCR operations management system, of a requirement for work plans and performance indicators.

29. He was pleased to note, from the report on the implementation of the Board's recommendations (A/54/159), that most of the 13 organizations covered were making decent progress in implementing the recommendations. However, information should be provided on the time taken to implement the recommendations so that the Fifth Committee could clearly determine the priority being given to that important activity. He asked whether any of the recommendations that had been implemented only partially or not at all had been acted upon since the submission of the report, and what had been or was being done to ensure compliance with the crucial requirement that organizations

and individuals should be held accountable for their action or inaction.

30. Although the Board's report on the year 2000 (Y2K) compliance issue (A/C.5/54/3) was encouraging, he was concerned to note that only half of the Organization's business partners had proved that their systems were Y2K-compliant. He asked whether any more information had been received from the Organization's business partners and whether any United Nations organizations had failed to meet the scheduled completion date of September 1999 for the implementation of Y2K readiness measures.

31. He was pleased that the Secretariat had taken steps to implement the Board's recommendations on the use of consultants. In the course of its regular audit work, the Board should examine the implementation of the new guidelines, review the capabilities of IMIS in helping to identify candidates and monitor the Secretariat's effor to improve evaluations of consultants' performance. Lastl, he shared the views of the Chairman of the Board of Audi rs on the need to extend the Board members' term of office, a urged the Fifth Committee to consider and favourably resolve that issue.

Agenda item 118: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Reports of the Office of Internal Oversight Services (A/53/811; A/54/157 and Add.1, A/54/334 and Add.1, A/54/367, A/54/410 and A/54/413)

32. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services) introduced the reports of the Office of Internal Oversight Services (OIOS) on a number of investigations undertaken by the Office. The report on the inquiry into allegations of theft of funds by a staff member of the United Nations Conference on Trade and Development (UNCTAD) (A/53/811) outlined the manner in which a P-5 certifying officer had perpetrated at least 59 separate instances of theft between 1987 and 1996, without triggering any meaningful internal alarm of the ongoing illegal scheme. The Organization had recovered about 68 per cent of the nearly SwF 730,000 which the staff member had stolen. The perpetrator had obligated UNCTAD project funds to obtain cheques, issued by the United Nations Office at Geneva (UNOG), for up to six fictitious experts at a time for daily subsistence allowance (DSA) payments to enable the "experts" to attend conferences that had never been held. His authority and autonomy in the UNCTAD Administrative Service had given him access to the UNCTAD project account information he had needed to engender the DSA payments, and the gap in information and responsibilities between UNCTAD and UNOG had enabled him to escape detection. A report analysing the managerial and operational deficiencies in UNCTAD and UNOG that had made the crime possible had been provided to the Secretary-General of UNCTAD and the Director-General of UNOG, and substantive discussions since then had led to the enactment of changes to prevent the recurrence of similar frauds.

33. The review of common services in the United Nations (A/54/157), specifically in New York, Geneva and Vienna, had reviewed the progress made in the 11 areas identified by the Secretary-General (A/51/950, para. 242) and assessed efforts to improve the effectiveness and efficiency of central support services. The conclusions and recommendations contained in the report were aimed at enhancing central support services and removing some of the existing barriers to the expansion of common services. That would require a shift to more service-oriented thinking at all levels and in all sectors of the Organization, as well as the support of Member States.

34. He wished to clarify that comments from the management of each of the organizations reviewed appeared in italics in the respective reports, so that the Fifth Committee could see where management had felt that additional information would be helpful or where OIOS might have adjusted its analysis on the basis of feedback from management. Those comments reflected the extensive consultative process between OIOS and each client. They were an indication not of disagreement between OIOS and managers, but rather of the Office's close cooperation with concerned managers, who had supported the oversight function.

35. The review of the Office for the Coordination of Humanitarian Affairs (A/54/334) had concluded that the measures taken to implement the Secretary-General's reform proposals, which had been endorsed in General Assembly resolution 52/12 B, had strengthened the Office's coordination with all stakeholders in humanitarian assistance. The Office had established a meaningful and open dialogue with donors and the humanitarian community, was showing greater sensitivity to the specific mandates of other humanitarian agencies and was working to reduce the incidence of duplication of responsibilities, competition and disagreement over areas of operation. The workings of the Inter-Agency Standing Committee and the consolidated appeals process had greatly improved. OIOS had recommended, *inter alia*, that the Office for the Coordination of Humanitarian Affairs should take a more action-oriented approach to addressing coordination issues within the Executive Committee on Humanitarian Affairs, devise a

strategic management framework to enhance the appeals process and strengthen its advocacy role.

36. The investigation into the field office in Lebanon of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (A/54/367) had reviewed a variety of allegations of financial impropriety, embezzlement, bribery and subcontracting in breach of contractual arrangements which had been reported in the local press. The investigators had disproved those allegations. In order to safeguard UNRWA against such allegations in the future, OIOS had reviewed various facets of UNRWA tendering procedures and had made recommendations for reducing the risk of fraud and public exposure to sweeping suspicion of corruption. It had also recommended that UNRWA should reaffirm its existing anti-bribery policy in writing and should develop additional procedures under which staff members would be required to report all cases of attempted bribery. Lastly, it had offered recommendations on procedures for the acceptance, processing and review of complaints of malfeasance.

37. The management audit of the conference centres at the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) (A/54/410) had shown that those two construction projects had been overly ambitious, since the major meeting rooms at both centres were empty between 60 and 85 per cent of the time. As a result, the conference centres were currently a financial burden to the Organization. However, both regional commissions had begun to implement the recommendations made by OIOS with a view to reversing that trend. A cost-benefit analysis should be conducted, taking into consideration the local and regional infrastructures, market conditions and occupancy forecasts. The audit had shown that the cost of maintaining the facilities had not been properly considered when the decision to build them had been taken. About 10 per cent of the operating costs were currently covered by user fees. Despite the centres' state-of-the-art facilities, the Department of General Assembly Affairs and Conference Services normally did not consider them as venues for United Nations conferences and meetings. A comprehensive proposal to the General Assembly, including potential changes to long-standing venue selection practices, would help to change that situation. Moreover, the centres should be formally recognized as revenue-generating activities and should be provided with adequate resources for marketing and promotion. Operational guidance should be provided for the establishment of revenue-generating activities such as gift shops and United Nations bookshops and for improving the efficiency of the centres' commercial administration. Innovative policy guidance that departed from traditional facilities management approaches could enable the centres to improve the visibility of the United Nations and generate additional revenue.

38. Introducing the report of the Office of Internal Oversight Services on the investigation into allegations concerning an electronic commerce project at the United Nations Conference for Trade and Development (A/54/413), he said that the Investigations Section of OIOS had received reports of illegal exportation and improper retention of intellectual property by a Melbourne-based UNCTAD project responsible for trade points and related electronic commerce initiatives known as the United Nations Trade Point Development Centre (UNTPDC). In the course of the investigation, investigators had uncovered serious problems with the project, including uncontrolled activities, as a result of which the United Nations had been exposed to liability and was now facing claims from unauthorized private sector partners involved.

39. UNCTAD had created the trade point project to establish mechanisms by which electronic technology would close the gap between developed and the developing countries. The growth in the programme had exceeded UNCTAD's expectations and a funding source had been created through the unauthorized establishment, in Australia and in the United States, of foundations known as GIFT (Global Infrastructure Facilitating Trade). GIFT had been created in 1996 without recourse to legal advice from the United Nations Secretariat or UNCTAD and without the knowledge or approval of UNCTAD senior management. It appeared that in a two-year period, over $700,000 had been raised by GIFT and UNTPDC; those who had contributed the money had indicated to OIOS that it had been their understanding that GIFT had been created as the conduit for private sector and government funding to UNTPDC because the United Nations could not solicit funds itself.

40. GIFT had subsequently been replaced by a new entity, the International Secure Electronic Transaction Organization (ISETO). Various firms in Australia and in the United States which had expressed interest in being connected with a United Nations trade project had been approached to arrange for the infusion of millions of dollars in capital into a new project to be operated under the auspices of ISETO. As in the case of GIFT, the private sector and government entities contacted had been advised that, as UNTPDC could not raise money directly, ISETO would be the link between them and the United Nations. Private sector technology firms had signed on believing that the project was sponsored by the United Nations and was therefore fully reliable and trustworthy.

41. The OIOS investigation had concluded that, while the aim of involving the private sector in the UNTPDC project to assist in the development of secured electronic commercial transactions for developing countries was a sound concept, it had been sabotaged by the utilization of unauthorized foundations and the involvement in them of non-United Nations staff without authorization from the senior management of UNCTAD. The senior management of UNCTAD had advised OIOS that the project had been moved to Geneva and was under careful review. Activities concerning secure electronic commerce had been terminated and the Secretary-General of ISETO had advised UNCTAD that the companies participating in ISETO would exercise their right to recover the investments that they had been encouraged to make in the project.

42. **The Chairman** invited the Chairman of the Joint Inspection Unit (JIU) to make a statement in connection with the comments of JIU on the OIOS reports on the review of the Office for the Coordination of Humanitarian Affairs (A/54/334/Add.1) and on the review of common services in the United Nations (A/54/157/Add.1).

43. **Mr. Ouegrago** (Chairman of the Joint Inspection Unit) recalled that General Assembly resolution 48/218 B had called for the Joint Inspection Unit and the Board of Auditors to be provided with copies of all final reports of OIOS as well as the comments of the Secretary-General thereon and he called on JIU to provide the General Assembly with its own comments, as appropriate. JIU had thought it appropriate to comment on only two of the reports produced by OIOS and introduced by the Under-Secretary-General.

44. Referring to the comments of JIU on the OIOS report on the Office for the Coordination of Humanitarian Affairs (A/54/334/Add.1), he drew the Committee's attention to the recommendations of the Unit in paragraph 7, pointing out that the recommendation in paragraph 7 (e) had already been implemented by the Secretariat.

45. Turning to the comments of the Unit on the OIOS report on the review of common services in the United Nations (A/54/157/Add.1), he said that JIU had already made two reports on common services in New York and in Geneva. He drew the attention of the Committee to JIU's general comments (paras. 8-10) and to its recommendation to the General Assembly (para. 15). The OIOS report on common services was extremely useful; some of the conclusions reached by OIOS confirmed the general findings of JIU in its own reports. However the OIOS report would have been even more valuable had it been undertaken at a later date so that it could have reviewed more thoroughly the status of the Secretary-General's common services initiatives and the recommendations contained in JIU's two latest reports on the subject with respect to New York and Geneva. While OIOS, because of its limited mandate, had necessarily focused its review on the United Nations Secretariat, that kind of report would have benefited greatly from the inclusion of the perspective of the specialized agencies, particularly at Geneva.

46. JIU recommended (para. 15) that the General Assembly should adopt a resolution encouraging the Secretary-General and the Administrative Committee on Coordination to take concrete steps to enhance common services, particularly in view of the importance of consistent decision-making on common services within the United Nations system.

Agenda item 151: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*)

(a) Financing of the United Nations peacekeeping operations (*continued*) (A/54/169, A/54/335 and A/54/394)

47. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services), introducing the report of the Office of Internal Oversight Services on the investigation into the award of a fresh rations contract in a United Nations peacekeeping mission (A/54/169), said that the Investigations Section of OIOS had received a series of complaints concerning the actions of the Chief Administrative Officer and the Chief Financial Officer of a United Nations peacekeeping mission. The findings of the investigation had indicated mismanagement and abuse of authority, including violations of United Nations procurement policy and financial rules. Both the Chief Administrative Officer and the Chief Financial Officer had been presented with the information provided by others and the documentary and photographic evidence obtained; neither of the officials had challenged the evidence or availed themselves of opportunities to make statements in connection with the inquiry. The selection of the lowest acceptable bidder over the long-term contractor had resulted in an overall saving to the Organization of more than $150,000 over the life of the contract.

48. The Mission's Force Commander, in his capacity as Head of Mission, had taken prompt action to correct the problems relating to the award of the fresh rations contract, but it was clear that such action would have been taken earlier had the Force Commander been given full, complete and accurate information by the senior staff of the Mission.

49. In June 1996, OIOS had submitted a report on the investigation to the Department of Peacekeeping Operations recommending that disciplinary charges should be filed against the Chief Administrative Officer and the Chief Financial Officer. The Department had accepted the findings and recommendations in the report. The Joint Disciplinary Committee had deliberated on the case and a copy of its report and the decision of the Organization had been transmitted to the staff members in late 1998.

50. Introducing the report of OIOS on the audit of the management of service and ration contracts in peacekeeping missions (A/54/335), he said that there had been a trend in recent years towards outsourcing the provision of services in peacekeeping missions to commercial entities. Such contractual services, involving the provision of logistical support services and the supply of rations, represented a major item of expenditure in peacekeeping missions. The report pointed to areas where OIOS believed that contract management could be improved to ensure the economical and effective use of the Organization's resources.

51. Employing a horizontal audit approach, OIOS had reviewed six service and ration contracts with a total value of about $37 million at five peacekeeping missions. The management of those contracts had been problematic, in part because of their complexity and the often volatile environment in which they were implemented, despite the efforts of both the individual missions and of the Department of Peacekeeping Operations. The OIOS review indicated that there was a need to further improve the three essential aspects of contract administration: receiving and inspection of goods and services; monitoring of contractors' performance; and payment for services rendered. The Department of Peacekeeping Operations and the Department of Management had generally accepted the OIOS recommendations.

52. The most significant findings and recommendations concerned the need to ensure that procurement time-frames were reduced in order to prevent costly ad hoc contractual arrangements; the desirability of standard operating procedures to strengthen management's ability to administer contracts and ensure efficient use of resources; the need for missions with large service contracts to establish a contract management function in order to ensure a coordinated approach in the supervision and execution of individual contracts; the need for the Department of Peacekeeping Operations to assess training needs in respect of service contract management and develop an appropriate training programme; and the need to ascertain the lowest bidder's ability to provide the required goods or services at the offered price and according to required specifications where the lowest bid was much lower than the other bids. OIOS had noted that under one ration contract the contractor had been able to supply the rations at the offered price but they had proved to be of very poor quality.

53. Effective contract management was an issue of increasing importance as new large-scale peacekeeping missions were established. OIOS would continue to monitor the implementation of contract management procedures for the provision of goods and services at peacekeeping missions and was hopeful that the Department of Peacekeeping Operations and the Procurement Division would make further progress in that area.

54. Introducing the report of OIOS on the audit of the liquidation of peacekeeping missions (A/54/394), he said that, in the post-cold-war period, numerous large peacekeeping missions had been established which had frequently been faced later with the need to liquidate at short notice. The liquidation of a peacekeeping mission was a complex process involving the disposal of large quantities of assets and numerous other logistical, administrative and accounting tasks, all of them expected to be performed and completed within relatively short periods. Liquidation was as important an activity as the start-up or operational phase of each mission and it exposed the Organization to possible loss or misuse of resources. The success of each liquidation exercise was largely dependent on the efficient and effective management of a mission's start-up and operational phases. OIOS had noted that, in some cases, shortcomings or other problems arising during those phases and not resolved had later severely hampered the liquidation process.

55. The report used a horizontal approach for a comprehensive evaluation of the liquidation process and was based on OIOS audits conducted between 1996 and 1999 covering the liquidation of eight peacekeeping missions with a combined asset acquisition cost of over $900 million. The report concentrated on asset management and asset disposal issues and a special effort had been made to present the audit results in a user-friendly format and to highlight significant points by the use of graphics and photographs.

56. Significant progress had been made by the Department of Peacekeeping Operations in improving the management of the liquidation process and he hoped that the report would assist the Department in making further improvements.

57. OIOS believed that the Department of Peacekeeping Operations could make further progress in six areas: there was a need to further develop the 1996 provisional guidelines for the liquidation of peacekeeping missions, especially in respect of policy guidance from Headquarters, in order to prevent contradictory and sometimes costly

actions from being taken; the Department of Peacekeeping Operations would benefit from a formal mechanism to ensure that the past lessons of mission liquidations were reflected in Standard Operating Procedures; the introduction in all missions of the field asset control system would make asset management more cost-effective and efficient by ensuring that each mission's equipment and supplies were properly controlled and that surplus items were disposed of during liquidation in the most cost-effective manner; the time required by each mission to complete the liquidation process could be significantly reduced by increasing the level of authority delegated to missions, in particular the authority to recover monies owed by mission personnel of all categories for damage or other losses resulting from negligence or irregularities; because of the inherently high risk of procurement, there was a need to ensure that each mission was adequately staffed with competent procurement officers during all its phases, including liquidation, and that those officers remained in the mission until suitable replacements for them were available; and, finally, costly mistakes could be prevented and indispensable assistance provided through adequate training and clear guidelines. In that connection, the Department of Peacekeeping Operations had already indicated that the required changes would be made to its field administration manual.

58. Effective and efficient liquidation of peacekeeping missions would be of increasing concern to the Organization as new peacekeeping missions were established. OIOS would therefore continue to give high priority to the internal oversight of peacekeeping operations.

59. Turning to the report of OIOS on the audit and investigation of the International Tribunal for the Former Yugoslavia (A/54/120), he said that OIOS had conducted a review of the International Tribunal for the Former Yugoslavia similar to the earlier reviews of the International Criminal Tribunal for Rwanda. Although there had been previous audits of the Tribunal, it was the first comprehensive review to be carried out by a team of OIOS auditors and investigators. The review, which had covered the years 1997 and 1998, indicated that the Tribunal's operational areas were generally being efficiently and effectively managed but that some improvement was needed in a number of key administrative and financial areas, including cash management, personnel recruitment, promotion and placement practices, procurement planning and bidding practices, accountability for expendable and non-expendable assets and improved communications between Headquarters and the field offices.

60. Review of various performance indicators had indicated that the three organs of the Tribunal were being run on a sound managerial basis. OIOS had recommended that the Tribunal take corrective measures in those areas where weaknesses had been identified. The organs of the Tribunal had generally accepted the report's findings and recommendations and had initiated implementation action.

61. **Mr. Theophylactou** (Cyprus) said that his delegation had taken particular note of the report of OIOS on the audit of the management of services and ration contracts in peacekeeping missions (A/54/335). As a host country to one of the longer-running peacekeeping operations, the United Nations Peacekeeping Force in Cyprus (UNFICYP), his country was particularly interested in performance reviews of the kind undertaken by OIOS in 1998. The improvements in contract management, the need for which was indicated in the report, would naturally maximize the effectiveness of those contracts and would therefore enhance overall mission performance.

62. He drew particular attention to the importance attached to coordination between players other than the missions themselves for the successful management of large-scale contracts, including the Department of Peacekeeping Operations, the Procurement Division and the Office of Legal Affairs. His delegation considered the recommendations outlined in the OIOS report to be useful and was ready to collaborate in efforts to upgrade the contract management process, for example in the area of adequate training for personnel dealing with ration contracts. He stated the view that sufficient resources should be made available to allow implementation of the recommendations aimed at improving procurement.

Other matters

63. **Mr. Niwa** (Assistant Secretary-General for Central Support Services), replying to a request for information on the terms of the contract for catering facilities at Headquarters that had been raised by the representative of Costa Rica at the 3rd meeting of the Committee, began by recalling the history of the catering operations at Headquarters. Catering facilities had initially been provided by a concessionaire on a cost plus basis. Because that arrangement had proved to be a significant financial burden to the United Nations, a revised arrangement had been entered into in 1985 entailing a profit/loss contract under which the contractor was to provide labour and to assume responsibility for purchasing food and supplies while the United Nations retained responsibility for providing and maintaining the catering facilities and equipment. That had reduced the subsidy provided by the Organization to the catering facilities but had nevertheless entailed continued

expenditure for the Organization for equipment and support costs.

64. In line with General Assembly resolutions 48/218 and 50/214, the Secretariat had undertaken to identify the actual costs incurred by it in support of the catering facilities, a sum which was close to $1 million per year. In addition, the Organization had faced significant capital expenditures for replacement of ageing equipment.

65. Accordingly, a request for proposal had been prepared in 1996 which had envisaged continuation of the operation of the catering facilities at zero cost to the Organization. Because of the size and complexity of the catering facilities at Headquarters, which required the contractor to provide a diversified, international menu from cafeteria service to fine dining on a daily basis, the number of possible contractors had been limited. Of the 11 companies to which the request for proposal had been circulated, four had indicated interest in bidding but, by the time of the closing of bids, only one response had been received, namely from the current contractor, Restaurant Associates. Negotiations with that contractor had resulted in a new contract, which had taken effect in May 1997, under which the contractor would be responsible for maintaining the United Nations catering facilities and equipment and was required to reimburse the Organization for direct costs related to the catering facilities (trash removal, extermination, grease trap and duct cleaning and inspection of fire suppression systems) and to pay annually to the United Nations the greater of 8 per cent of gross sales, excluding cafeteria sales, or $500,000 to offset support costs.

66. The term of the present contract was for an initial period of six years from 1997 with the possibility of a three-year extension. In addition to the zero-cost element, the contractor had undertaken to make capital improvements to the facilities in the order of $1.2 million and had plans for further improvements.

67. Under the previous contract, price increases had been directly linked to fluctuations in the consumer price index and the prices had changed automatically with every 5 per cent increase in that index. Under that system there had been price increases every year from 1990 to 1993 inclusive, whereas, under the present contract, price increases were limited to three over the entire duration of the contract and its possible extension.

68. Turning to the observations that had been made on the renovations of the staff cafeteria and the quality of food, he said that, following the issuance of the Joint Catering Advisory Committee's report and the negative comments on the quality of food, extensive discussions had taken place with the contractor to review the situation in the cafeteria, particularly at peak times, and a number of steps had been taken to try to improve the situation. The contractor had agreed to establish a much more efficient mechanism for receiving customer feedback so that appropriate measures could be taken. There was already an established mechanism for staff input, namely a subcommittee of the Joint Catering Advisory Committee, which met regularly with the caterer to review all matters relating to the contractor's performance. The possibility of establishing such a mechanism to facilitate input from delegations was being explored and similar efforts were under way to obtain feedback concerning the Delegates' Dining Room.

69. In conclusion, he said that, while the current contract was much more advantageous financially to the Organization, there had been no question of any reduction in the quality of service or food and the Secretariat would continue to explore ways in which the caterer could achieve better customer satisfaction.

70. **Ms. Incera** (Costa Rica) said that the information at her disposal concerning the catering services was not consistent with the statement by the Assistant Secretary-General. In anticipation of the forthcoming discussion on the budget, which would provide an opportunity of looking at the matter in greater detail, she requested a copy of the most recent contract awarded to the catering company so that she could study it in depth.

71. **The Chairman** said that the Secretariat had taken note of that request.

The meeting rose at 12.20 p.m.